SONAE SGPS

COMPANY REPORT

HOLDING/RETAIL

06 JUNE 2011

STUDENT: NUNO SOUSA

Domestic market to secure

Internationalization growth (perspective)

Retail Business (60% Sonae SGPS' EV), still highly dependent on the domestic market, will suffer from cut on private consumption. More affected by depression periods, **Sonae SR** reinforces its international plan, which following the Capital Light strategy, is also expanding through different formats (Joint Ventures and Franchising contracts). Still privileging the consolidation of the domestic food retail market share, **Sonae MC** found on the Angolan market the expected growth opportunity. **Sonae RP** will take an important role for the Retail Business international expansion, as it will release invested capital on retail properties to finance those investments.

Sonae Sierra will be seeing the positive effect of the Investment in Brazil being diluted mostly due to lower occupancy rates and higher prime yields of the Portuguese market (45% Sierra's Investment Properties).

Although **Sonaecom** represents only 13% of Sonae SGPS's Equity Value, we believe that while Sonae keeps its stake on the Telecom Company, investors will quote it as a Holding and impress a discount on EV. It is, though, expected that after the full integration of the fixed and mobile businesses, Sonaecom will benefit from cost savings, resulting into higher EBITDA margins.

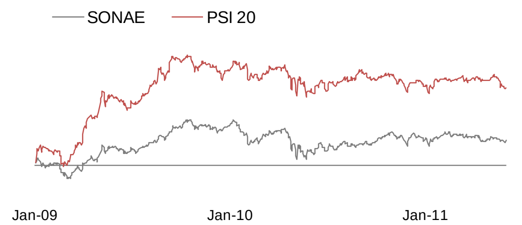
Sonae SGPS presents considerable maturing debt amounts from 2012 onwards. Given the insufficient cash flows generated internally from operations and Sales & Leaseback Transactions, along with the failure on achieving Investment Grade 2012, Sonae will be forced to **refinance debt through Portuguese banks**. The risk of being mostly reliant on a single and limited source of capital is reflected on higher interest expenses as well as an offset on the required rate of return.

Recommendation:	**HOLD**
Price Target FY11:	**0.798€**
Upside Potential	*4%*
Price (as of 6-Jun-11)	**0.765€**

Reuters: YSO.LS, Bloomberg: SON PL

52-week range (€)	0.705-0.890
Market Cap (€m)	1.546
Outstanding Shares (m)	2.000

Source: Bloomberg



Source: Bloomberg

(Values in Eur millions)	2010	2011E	2012E
Revenues	5.914	6.043	6.208
EBITDA	729	699	702
EBIT	409	390	391
Interest Expenses	107	175	180
Net Profit	168	128	131

Source: Company data and Nova Equity Research Estimates

Net Debt / EBITDA	4.6x	4.4x	4.2x
ROIC	8.68%	8.22%	8.29%
ROE	12.6%	9.14%	8,89%
PE	8.68x	12.4x	12.2x

Source: Company data and Nova Equity Research Estimates

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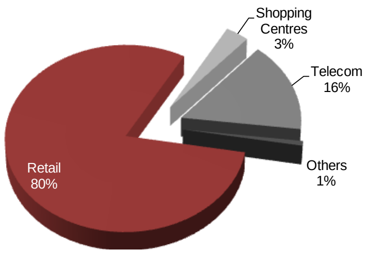
Company Overview

Graph 1: Sonae SGPS 2010 Turnover Breakdown



Source: Company data

Sonae SPGS is a holding company that manages a diversified portfolio, where the Retail Sector takes evidence. Both **Food and Specialized Retail's** leadership has been consolidated throughout the years, and it is today recognized as Sonae´s Core Business. The portfolio is extended to the **Shopping Centres and Telecommunications sectors** through two major partnerships, leading to a board control of SonaeSierra and Sonaecom, respectively.

Sonae was established in 1959 as a family-run business, at the time a small industrial entity specialized in decorative laminates. However, the admission of Belmiro de Azevedo in 1965 came out to be a turning point in the history of the company. Remarkable dates such as 1985 (when the first hypermarket was launched) and 1991 (year in which CascaiShopping, the first modern shopping centre, was inaugurated) supported the begging of an era of success. In order to continue improving its operational performance Sonae has relied on **three key drivers – internationalization**, **capital light investments** and achievement of an **Investment Grade** in a short term.

Sonae Three key drivers:

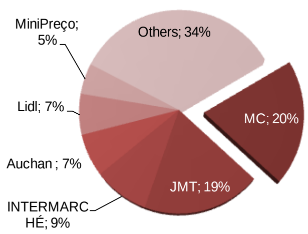
Internationalization, Capital Light investments and Investment Grade.

Company Description

Core Businesses (80% of Sonae Turnover)

Sonae MC (55% of Sonae Turnover)

Graph 2: Portuguese Food Retail Market Share



Source: Company data

Sonae MC is responsible for the **food retail business** and assumes a leadership position in this sector. Its portfolio includes renowned and reliable brands for the consumers, that not only offer high quality products, but also a **price**[1] **and diversity positioning** that allows MC to distinguish itself from closer competitors. Organized in different formats in order to respond to different market needs, MC is composed by: Continente (hypermarkets), Modelo and Modelo Bonjour[2] (supermarkets), Well's (para-pharmacies and optical), Bom Bocado (restaurants and cafeteria) and Book.it (book shop).

Besides being focused on consolidating market leadership in Portugal, with its continued expansion along the country and with permanent development of innovative formats for new market niches, such as Continente Ice, Meu Super

[1] Vide Appendix 2.
[2] Since March this year Modelo and Modelo Bonjour changed the concept names to "Continente Modelo" and "Continente Bom Dia", respectively. Though, to simplify, in our report we will refer to each one by their original brands, Modelo and Modelo Bonjour.

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and Continente Horeca, Sonae is also looking for international opportunities as a means of leveraging the achieved know-how in the retail sector.

Sonae took advantage of its position as the launcher of the first chain of hypermarkets in Portugal and placed itself in strategic locations, characterized by a high population density, and therefore, high demand. In addition, its shopping centre business allows it to better exploit this relevant factor. Continente is currently well distributed over the country, with 40 stores (approximately 7,500m^2 of sales area per store), mostly located in shopping centres. Fully accompanied by well-situated logistic infrastructures, it is capable of following customers' needs, offering a wide range of products (about 70,000 items) and making it permanently available. This structure is complemented by a strong and continuous investment on their own brand and the loyalty card, which currently accounts for 26% of FMCG[3] and 86% of Continente and Modelo's Turnover.

Table 1: Sonae MC 2010 Turnover and Sales Area per Concept

	Turnover (Eur Millions)	Sales Area (000's Sqm)
Continente	1.594	288
Modelo	1.577	228
Bom Bocado	62	5
Well´s	26	12
Book it	9	5
Others	6	6

Source: Company data

In a different format, Modelo has an average sales area of around 1,700m^2 (the combination of the 2 formats with 2.000 and 800 m2), although distributed through a larger number of stores. Considerably smaller, and consequently offering a lower variety of products (about 40,000 items), it achieves the proposed target – daily shopping. In fact, the 130 stores are located over the country in shopping centres and retail parks, but mostly, as an opposition to Continente, close to residential areas. The remaining concepts (Well's, Bom Bocado and Book.it) are somewhat a complementation to those formats, which in a different dimension are specialized in their products/services.

Table 2: Sonae MC Turnover / Sales Area evolution (Eur k)

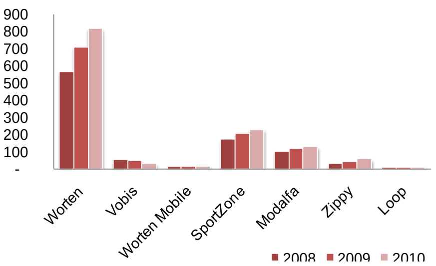
	2008	2009	2010
Continente	5,87	5,60	5,59
Modelo	6,66	7,01	7,10
Well's	1,50	1,80	2,17
Bom Bocado	20,00	13,00	15,50
Book.It	1,00	1,67	1,80

Source: Company data

Sonae SR (22% of Sonae Turnover)

Sonae SR is exclusively focused on the **non-food retail** sector, currently responsible for Worten (consumer electronics), SportZone (sport clothes and equipments), Vobis (computer equipment), Loop (footwear), Modalfa (clothing), Zippy (children clothing) and Worten Mobile (mobile telecommunications).

Graph 3: Sonae SR Turnover Breakdown



Source: Company data

Market leaders in Portugal in each segment, Worten and SportZone are easily accessed via its 132 and 74 stores respectively, combining a positioning of low prices with high variety and well-known brands products offer, while keeping superior service quality. Given the good domestic performances and growth opportunity perspectives, since 2008 Sonae SR adopted an **international**

[3] Fast Moving Consumer Goods.

approach, extending some brands to Spain. Thus, not bypassing the strategy of consolidating leadership in Portugal, Worten, SportZone and Zippy are now available abroad with more than 80 stores already opened.

Table 3: Sonae SR Portugal and International Operational Indicators

Eur Millions	SR Portugal	SR International
Turnover	1.042	230
EBITDA	72	-27
EBITDA margin	7%	-12%
Invested Capital	174	163
Sales Area (000's Sqm)	256	106

Source: Company data

Furthermore, as a means of accelerating growth as well as following the strategy of capital light, the same brands are now also being internationalized at different formats through **franchising** contracts and **joint ventures**. The first only involves the children clothing segment, prepared to open about 70 stores in 9 Middle East countries and 14 stores in the Canary Islands; the latter is planning the opening of 14 stores of Worten and SportZone also in the Canary Islands. All these openings are due in 2014.

Related Business

Sonae RP (2% of Sonae Turnover)

This business unit was recently created to **manage Sonae´s retail properties**. With this, it allows MC and SR to focus simply on their operational activities, being RP responsible for an active management of retail assets. Possessing the assets, which are actually daily consumed by MC and SR (stores, logistic infrastructure, etc.), Sonae RP charges each one the respective rent. This makes a significant difference when looking at retail companies' profitability, since those that own their property will have higher prior invested capital, but lower operating costs. In this situation, EBITDAR turns out to be more accurate for comparisons matter.

Table 4: Sonae RP Operational Indicators

	2008	2009	2010
Turnover (Eur Millions)	109	123	126
Average Own Area (000's Sqm)	512	554	559

Source: Company data

Sale & Leaseback transactions:

For further investments and/or reduce Net Debt

Currently, following the group´s capital light strategy, Sonae RP is due to reduce the ownership of 81% of MC to 50% through **Sales & Leaseback Transactions.** This procedure allows Sonae to release invested capital to further investments and/or reduce Net Debt. Furthermore, new openings will mostly be leased property contracts.

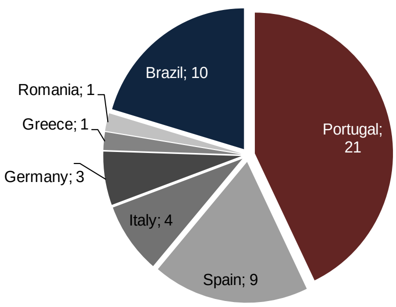
Core Partnerships (19% of Sonae Turnover)

Sonae Sierra (3% of Sonae Turnover)

Sonae Sierra is an international shopping centre specialist in three different segments – **Ownership, Development and Management Activities**. Owned by Sonae SGPS and Grosvenor (United Kingdom), 50% each, Sonae Sierra meets the required conditions to develop a project as risky as it is. Recognized like no other, Sierra has already collected several international awards distinguishing its innovative capacity to develop shopping centres but also to well manage them.

By now, it owns[4] 49 shopping centres mostly in Europe but also in Brazil, with a GLA[5] of about 2,017M m^2, and a global occupancy of around 96%. In addition, despite not owning them, some shopping centres are also under Sierra's management, establishing a total of 68 managed shopping centres with 2,200M m^2.

Graph 4: 2010 Sonae Sierra Owned and Co-owned Shopping Centers



Source: Company data

In every new project, Sonae Sierra generally tries to mitigate some of the inherent risks of this business by working in partnership with another local company in order to have a better support in regard of countries' legislations and market details; and creating a new entity, which has its own assets and responsibilities, protecting the other projects Sierra is involved in.

Sonae Sierra business units are, therefore, divided into: **Sierra Investments, Sierra Developments, Sierra Management and Sierra Brazil**. The latter was created to cover the businesses developed in Brazil, but the operating activities do not differ, meaning that this unit is responsible for the ownership, development and management of those assets in Brazil.

Sonaecom (16% of Sonae Turnover)

Table 5: Sonaecom 2010 Turnover and EBITDA Breakdown

Eur Millions	Turnover		EBITDA	
	2009	2010	2009	2010
Mobile	566	558	167	186
Fixed	245	238	6	3
SSI	150	143	8	8
Media	30	30	-3	-1

Source: Company data

Sonaecom operates in three business areas – **Telecommunications, Software and Information Systems, and Online & Media**. The first is responsible for 97% of SNC EBITDA and is represented by the brand Optimus, which is currently a fully integrated and convergent[6] telecommunication operator possessing about 21% of market share[7]. The other two businesses reveal less representativeness, contributing with 3% of SNC EBITDA. Their most notable brands are respectively WeDo Technologies, an internationally renowned provider of Business Assurance solutions, and Público, a Portuguese daily newspaper reference. The current **shareholder structure states the 53.2% ownership of Sonae SGPS** and the 20% held by France Telecom, a reference partner. Having 2.5% of own shares, Free-Float and other qualified participation account for 24.3%.

Investment Management (3% of Sonae Turnover)

Investment Management is the unit in charge of carrying the implementation of the corporate and business strategy. It is therefore responsible for adding value

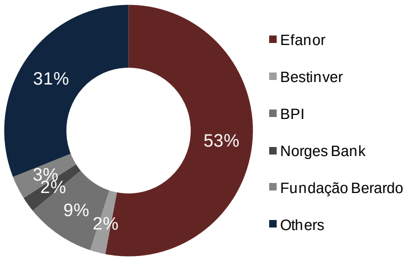
4 Ownership occurs whenever Sonae Sierra holds at least 4% of the asset.
5 Gross Leasable Area.
6 Combines the Mobile and Fixed Business Units – voice, internet and television.
7 Company data.

to the asset portfolio through M&A planning and execution and strengthening Sonae's networking with stakeholders.

Investment Management portfolio incorporates the following brands: Maxmat (DIY), Geostar (travel agency) and MDS (insurance brokerage).

Shareholder Structure

Graph 5: Current Sonae SGPS Shareholder Structure



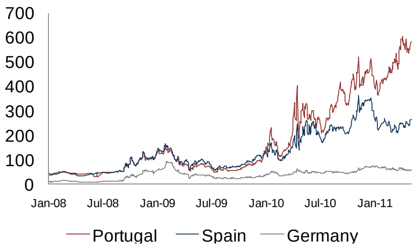
Source: Company data

From its very beginning, Sonae has always been family controlled. From its founder to Belmiro de Azevedo's family, the majority of the outstanding shares and its respective voting rights have followed a traditional Shareholder Structure, which the company has protected ever since. Today, tradition remains, with **Belmiro de Azevedo owning through Efanor Investimentos about 53%** of Sonae SGPS shares. Banco Português de Investimento (BPI), Fundação Berardo and Bestinver have also a participation in Sonae's shareholder structure. Free-float accounts for the remaining 31.4%.

Macroeconomic Outlook

The international financial and economic crisis has also reached the Portuguese economy, which showed stagnation and even recession in 2008 and 2009, respectively, while the unemployment rate achieved the worst historical results[8]. The fiscal revenue was therefore significantly affected, which interfered with the proposed government budget, ending 2009 with a public deficit of 9.4% (6.6pp increase over 2008's). The Portuguese government developed a plan[9] to fight against the recession, control the public debt growth and reduce public deficit to 2.8% by 2013, with measures that were constantly changed, through SGP1 to SGP4.

Graph 6: Portuguese, Spanish and German Republic CDS's



Source: Bloomberg

In 2010, although Portugal presented some improvements regarding economic growth, unemployment kept worsening and government budget was again differing from the proposed (deficit 9.1%>7.3%). As a consequence, Credit Rating Agencies[10] and financial markets started evidencing a lack of confidence on the Portuguese government capability to meet future commitments, which penalized the yields for refinancing public debt while CDSs[11] appreciated

8 Vide Appendix 1.
9 Stability and Growth Programme (SGP).
10 Since March, Portuguese Republic Credit Rating was downgraded to "BBB-", prior to Junk Bonds.
11 Credit Default Swap – a product that protects the lender of an eventual default of the borrower.

abruptly. However, demand for Portuguese bonds was decreasing significantly while Portugal still had refinancing needs. In May 2011, after SGP4 being rejected and the prohibited yields at which it was being refinanced, Portugal decided to ask for external financial assistance. The Memorandum of Understanding (MoU) agreed with Troika[12] allows Portugal to pay maturing debt and to inject capital into the financial system, but it also states the **measures for the Portuguese economy restructuring**, aiming to reach a deficit of 5.9% in 2011. Some of these **measures will directly influence Portuguese purchasing power**, as it is expected general taxes to increase and in particular VAT to suffer categories restructurings, public salaries to remain stationary, unemployment to keep increasing (cut in public expenses incorporate reduction in public employees), among others. In addition, despite the banks' recapitalization, we believe that under the outlook for economic growth, banks will keep the credit access to corporate and households limited, through tightened requisites to concede a loan and increasing spreads. This environment of fear and contraction affects directly Sonae´ s business as although it is decreasing, still **95% of Total Turnover comes from investment in Portugal**. As a consequence of lower

Troika to restruturate the Portuguese economy…

Table 6: Portuguese Economic indicators

	2010	2011E	2012E
GDP growth	1,4%	-1,5%	-0,5%
Private Cons. growth	2,0%	-1,9%	-1,0%
Inflation	1,4%	2,4%	1,4%
Unemployment	11,0%	11,9%	12,4%

rical data and
abase, April

purchasing power, there will be a decrease in the private consumption, affecting mainly sectors whose products are not of primary needs. Portuguese banks' instability is also influencing directly Sonae's operational performances because significant refinancing needs are due in 2012 onwards. Given the difficulties on getting funding within banks, it is expected that the least the cost of debt[13] will increase by means of higher spreads and EURIBOR evolution.

Table 7: Invested Capital and Turnover in foreign markets evolution

	2008	2009	2010
% International Turnover	0,8%	3,5%	4,8%
% International Invested Capital	2,3%	9,7%	20,0%

Source: Company data

Considering Spain, similarly to Portugal, the control of public spending is essential to gain credibility and to recover the confidence of consumers, business and investors. As so, after reducing 1.9pp[14] to 9.2%, it is expected that, under the Stability and Development Pact (SDP), in 2011 public deficit will shrink significantly reaching around 6% of GDP. Also set in the SDP, the government announced measures to fight against high rates of unemployment, which as stated by the IFM it is indeed expected to decrease in the following year with a positive trend from then on. This will certainly be a contributor for a small but still positive GDP growth, after two years of recession[15].

Table 8: Spanish Economic indicators

	2010	2011E	2012E
GDP growth	7,5%	4,5%	4,1%
Infation	5,0%	6,3%	4,8%
Unemployment	6,7%	6,7%	6,7%

Source: IMF – World Economic Outlook database, April 2011

[12] The agreement signed with Troika - composed by European Central Bank (ECB), European Commission (EC) and International Monetary Fund (IMF) – is a 3-year contract with a loan amount of Eur 78bn, at a 5.7% interest rate.

[13] For further detailed analysis on cost of debt, vide "Sonae too leveraged to Investment Grade".

[14] It is, though, worth to refer that, in 2010, public debt rose nearly 7pp, from 53.3% to 60.1%.

[15] Vide Appendix 1.

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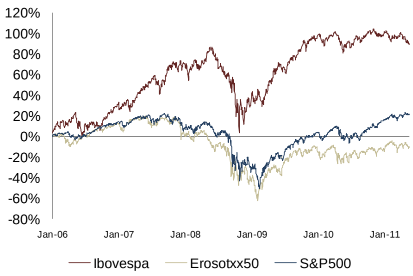
Graph 7: American, European and Brazilian Indexes benchmark



Source: Bloomberg

On the other hand, when compared to developed countries, the international crisis took less impact on Brazil. Nevertheless, 2009 distinguished itself by an economic recession, increasing the unemployment rate and declining confidence levels which resulted in a significant drop in the stock market. The reaction was, though, immediate and future prospects indicate continuing investment and economic growth while struggling to reduce unemployment. Considering Sonae Sierra's investments in Brazil, although real estate yields remain very high (in comparison to the remaining countries where it is present[16]), they are gradually decreasing.

Sonae SGPS Valuation

(€ Millions)	Equity Value	Stake	Equity Stake	(% Total)	Evaluation Method
Retail Business	**1.362**	**100%**	**1.362**	**60,3%**	**DCF**
Sonae Sierra	**1.197**	**50%**	**599**	**26,5%**	**NAV**
SonaeCom	**552**	**53%**	**293**	**13,0%**	**Market Cap (Eur 1.51/sh)**
Investment Management	**5**	**100%**	**5**	**0,2%**	**DCF**
SONAE´s EV			**2.259**		
Net Holding Debt			(543,3)		
Equity Value			**1.716**		
Outstanding shares			2000		
Fair Value			0,858		
Holding Discount			7,50%		
Price Target (Eur Price per share)			**0,798**		

Our Sonae SGPS Valuation Method is based on a Sum of the Parts (SOTP) of each Business Unit's Equity Value deducted from 2011E Net Holding Debt. Both the Retail Business (each business unit individually) and Investment Management were valuated through the **DCF Model**, which discounts the detailed Free Cash Flows forecasted for a 10-year period at a rate that considers the risk evolved by investing on it. Entirely owned, it represents nearly 60% of Sonae SGPS's Equity Value. Sonae Sierra valuation was based on its **Net Asset Value**[17], which after adjusted contributes to 26.5%. Derived from its **Market Capitalization**, Sonaecom accounts for the remaining 13.0%. We have applied a **7.5% discount on Sonae SGPS's Equity Value** mainly due to the 53% participation on Sonaecom, making it a Holding company instead of Retailing. By this, we consider that the Equity Value worth less than the SOTP as ignores investor's preferences and having holding costs to coordinate the entire group[18].

[16] Vide Appendix 1.
[17] Valuation made by Cushman & Wakefield.
[18] Accordingly to Portfolio theory, investors ought to diversify their portfolio. However, it is an undemanding task that can generally be cheaper than the holding company.

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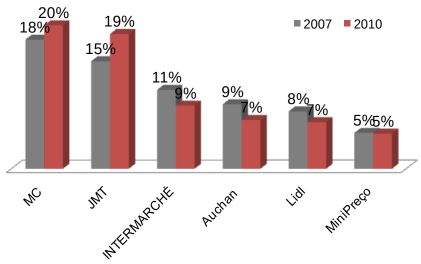
Retail (Core and Related Businesses)

- Food Retail Market Overview

Graph 8: Top 6 Portuguese food retail market share evolution



Source: Roland Berger 2007 study for 2007 values; Company data for 2010's

Food retail in Portugal is considered to be a mature market, with high predominance of the **five main players, contributing with 61% of the overall market share**. This fact is being noticeable for years, however a closer analysis allows us to conclude that stronger competitive and promotional strategies, along with recent M&A approaches allowed both Sonae MC and JM to achieve higher weights from 2007 (34%) to 2010 (38%), in detriment of the others.

There has been a transformation in consumers' perception of value, resulting in deep changes in the food retail market, in regards to distribution channels selection and consumption drivers. The last Roland Berger study, in 2007, reveals the channels that have been mostly contributing (% growth) for the industry growth are the Discounters, Supermarkets and Hypermarkets.

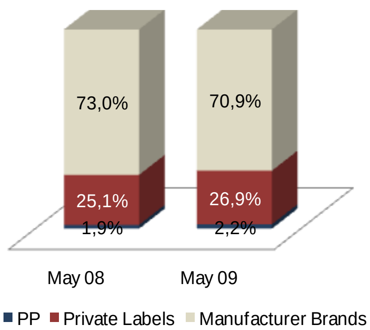
Graph 9: Ranking of store attributes changes vs. 2005

Ranking of Store Attributes changes vs. 2005	
Staff provide good service	6
Efficient checkout counters	6
Pleasant store environment	5
Has wide range of well konwn brands	12
Has high quality brands	7

Source: Nielsen Conference, May 2010

However, we believe that difficulties regarding the Portuguese macroeconomic conjuncture – and knowing that **consumption is particularly sensible to purchasing power drivers** – will require a special awareness and effort of those willing to keep their market shares. In fact, this environment will have an impact on **consumers new requisites**, which will be more intensely looking not only for low prices but also for comfort – convenience, variety of products, good service from staff, checkout counters efficiency and pleasant stores, and a less broad range of well known and high quality brands.

Graph 10: FMCG Turnover breakdown in Portugal



Source: "Strengths of the Private Labels in the Portuguese market" – Nielsen study, May 2009

In fact, **private labels relevance in the retail market is gaining power** year after year with a positive tendency onwards. Supported by Nielsen's last year study, we realized that the percentage of private labels on FMCG sales grew 14% to 27%, gaining market to brands. This reflects the consumer perception of both being identical concerning quality, diversity and confidence, along with private labels' attractiveness when it comes to prices and promotion campaigns.

Having these new consumer requirements in mind, we consider that the discounters (Lidl and Minipreço) will have lower importance in recent future events, as it actually underperformed in latter recession periods. However, it is worth referring that discounters' historical growth has been almost perfectly correlated[19] with the stores openings, meaning that Like-for-Like growth is insignificant.

[19] Vide appendix 2.

Table 9: Turnover per Sales Area of the Main Portuguese Food Retailers (Eur k)

	2008	2009	2010
SONAE MC	6,07	6,10	6,23
JMT	5,43	5,85	6,39
Auchan	7,51	6,50	NA
Lidl	5,15	4,83	NA
Minipreço	4,47	4,19	NA

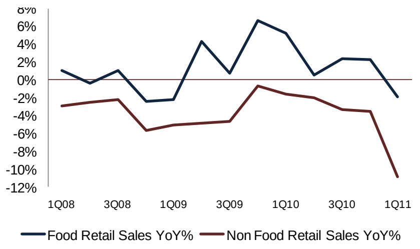
Source: Sonae and JMT for each one data and APED for Auchan, Lidl and Minipreço's

On the other hand, we both Sonae MC and Jerónimo Martins[20] have been able to increase Profitability per Sqm as an evidence of a better ability to follow closely customers' needs. We believe this tendency to persist, as a result of the efforts both Sonae and JMT are putting to meet clients' requirements, which will contribute to higher growth rates and, consequently, stronger market positions.

Besides the adversity driven by the Portuguese macroeconomic and demographic prospects, the Competition Authority was forced to take some measures regarding stores opening due to the food retail industry being mature. This is, undoubtedly, a contributor factor in what concerns lower growth prospects for the sector, as retailers will be more dependent on LfL expansion.

- Specialized Retail Market Overview

Graph 11: Portuguese Food and Non-Food retail Sales evolution



Source: Bloomberg

The non food retailing market follows closely the Food retail´s drivers, although **it is not as resilient to recession periods**, as spending will firstly be cut through non-essential goods. In spite of prices being relatively stable throughout the past 3 year-period, the volume sales was clearly affected by the crisis.

Table 10: Turnover % Change of the Portuguese Non-food segments

Specialized Retail	2007	2008	2009
Consumer Electronics	21,8%	6,1%	0,7%
Excluding Computers & Peripherals[21]	7,8%	6,8%	**-16,0%**
Clothing & Footwear	5,0%	2,5%	**-2,9%**

Source: " Portuguese Retailing – industry overview" Euromonitor, March 2011

Among Sonae SR´s segments[22], consumer electronics are commonly the less elastic, as in depressed times demand for these goods is largely weakened. Recently driven by the computers and peripherals, consumer electronics will be seeing on low prices and promotions the solution to call consumer´s attention, while computers and portable consumer electronics will keep balancing this segment performance. According to Sonae, Worten is the market leader followed by Fnac and Media Markt with 9% and 8%, respectively. Regarding the apparel segment, according to INE's last study, it accounts for about 4% of families' budgets. It is a settled and very competitive market, which throughout the crisis lead to a large number of companies going bankrupt, as consumers tended to reduce demand and prefer low-cost products. We also recall that Sonae's concept Modalfa is not directly competing with the main market players such as Zara and H&M given the geographic position (generally in retail parks in small cities, where traditional retail becomes the main competitor). SportZone takes the

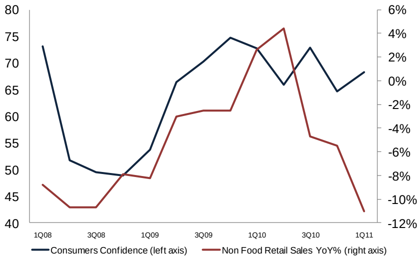
[20] Although JMT has presented higher growth rates for the previous 2 years. It is mainly explained by greater LfL growth (Vide Appendix 2 – graphs 35 and 36). Nevertheless, they have both had positive LfL growth at a period characterized by negative CPI, which was offset by higher demand.

[21] Computers and Peripherals took advantage from the Technological Plan for Education (e-escolas and e-escolinhas programmes), approved in 2007. This was a relevant contribution for the category growth. Nevertheless, we believe this effect to be significantly lower onwards.

[22] Consumer electronics, clothing and sports clothes and equipment.

leadership position[23] in the sport goods, a segment that has been increasing due to the Portuguese greater interest on sporting activities[24]. Nevertheless, low prices are again the relevant subject, where private labels gain market over more known brands.

Graph 12: Spanish Non-food retail Sales and confidence level evolution



Source: Bloomberg

Also considerably affected by the macroeconomic environment, **Spanish consumers' confidence level fell** significantly in 2008, showing since then a quite volatile behaviour. Understandably correlated with this figure, Non Food retail sales have been constantly presenting negative YoY% growth (in exception to 1S10). Despite Household goods' CPI remaining relatively stable over the years, **demand for discretionary products is being consecutively dropping** since the second semester of 2010.

As regards the segments Sonae SR is expanding to Spain – Clothing (children wear and Sports) and consumer electronics –, historical data evidences their sensibility to crisis. In fact, in spite of having positive grow rates in 2006 and 2007, both the segments suffered deep fall during the past 3 years, resulting into 0.0% and -3.7% (CAGR 2005-2010), respectively.

Table 11: Clothing and Footwear, and Electronics and Appliances Turnover (Eur Mn)

Eur Millions	2005	2006	2007	2008	2009	2010	CAGR 2005-2010
Clothing and Footwear	18.917	20.480	21.961	21.307	19.752	18.942	0,0%
Electronics and Appliance	8.091	8.342	8.357	7.518	6.924	6.696	-3,7%

Source: "Spanish Retailing – industry overview" Euromonitor, January 2011

The clothing segment market leader in Spain is Decathlon, with Eur 1.047m Sales[25], 22x the still growing SportZone 2010' sales. The consumer electronics market leadership position is unquestionably assumed by Media Markt, with 37%, after Miró and Urende, with 6% and 4%, respectively.

Concerning Zippy franchising format expansion to the Middle East, We found ourselves limited to further detailed analysis due to lack of information about these countries' non food retail market.

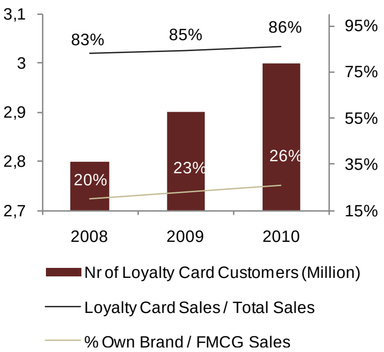
- ## Valuation – Sonae MC

Given the adverse macroeconomic context, where lack of confidence governs consumers' pockets as new fiscal measures are imposed – wages cuts and

[23] According to Sonae, SportZone is significantly evidenced from its closest competitor, which "beyond them there is no other generalist chain in sport goods in Portugal (2010 Annual Report).
[24] Vide Appendix 3
[25] Dated of 2008, as the most recent data available on Bloomberg.

raises in general taxes, VAT taking a special care, the Portuguese consumers increased their awareness when going shopping. Nevertheless, Sonae MC's perishable goods accounted for 86% of the 2010 overall turnover[26], and food being the consumers' front priority gives the food sector a higher elasticity to recession periods than discretionary goods' businesses[27]. In addition, it also accounts for diversity of formats (hypermarket with 8,000m^2 and supermarkets with 2,000 and 800m^2), the private label and the loyalty programmes' enforcement.

Graph 13: Private label and Loyalty programmes' evolution



Source: Company data

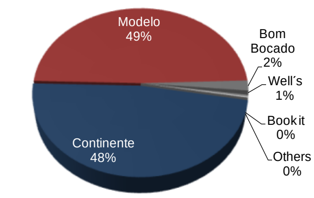
The first program, by the end of 2010 contributed to 26% of FMCG sales and evidenced a positive trend since 2008, which highlights consumer favourable perception towards branded products. To better meet these needs, Sonae is deeply dedicated to this programme development, as evidenced by their announcement of strengthening the international supply chain in order to guarantee low prices. Actually, knowing that private label products generate higher margins, it is of Sonae´s best interest to boost this ratio of private labels over FMCG Sales. The loyalty card is a source of collecting data about consumption patterns, which can subsequently be converted into personalized promotion campaigns in products that are likely to be purchased.

Table 11: Sonae MC Operational Indicators (Eur Mn)

Sonae MC	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	10-15E	10-20E
Turnover	**3.274**	**3.375**	**3.427**	**3.538**	**3.688**	**3.850**	**4.006**	**4.164**	**4.314**	**4.464**	**4.618**	**3,3%**	**3,5%**
growth	5,4%	3,1%	1,5%	3,2%	4,2%	4,4%	4,1%	3,9%	3,6%	3,5%	3,4%		
EBITDAR	**357**	**357**	**360**	**373**	**390**	**408**	**426**	**443**	**460**	**477**	**494**	**2,7%**	**3,3%**
	10,9%	10,6%	10,5%	10,6%	10,6%	10,6%	10,6%	10,6%	10,7%	10,7%	10,7%		
EBITDA	**231**	**230**	**227**	**234**	**244**	**256**	**266**	**277**	**287**	**297**	**307**	**2,1%**	**2,9%**
margin	7,1%	6,8%	6,6%	6,6%	6,6%	6,7%	6,7%	6,7%	6,7%	6,7%	6,7%		
EBIT	**147**	**145**	**139**	**142**	**149**	**157**	**164**	**172**	**179**	**186**	**193**	**1,3%**	**2,8%**

Source: Company data for historical values; Nova Equity Research for forecasts

Graph 14: Sonae MC 2010 Turnover Breakdown



Source: Company data

Sonae MC Sales[28] is the sum of the all concepts' turnover managed by Sonae MC. In 2011 we expect a Like-for-Like sales growth of 0.7%, and a 2.4% growth from stores openings. The main drivers for 2010-2011E differences arrive from the **consumption contraction,** by means of a lower price per unit and eventually a fall in purchase volume, but also from the **extension of Sunday's opening hours**, contributing positively with 1.7% as LfL growth[29]. Assuming that the austerity plan for the Portuguese economy recovery will negatively influence the

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[26] According to Sonae 2010 Annual Report.

[27] Graph 11.

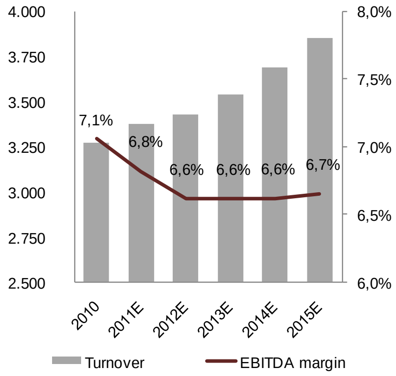
[28] Our sales model was based on a historical LfL performance and subsequent drivers' forecast behavior (food consumption: influenced by variations in average wages, inflation, unemployment, demographic outlook, access to banks and at which conditions, and demand for private label products. These will reflect, in the recent future, a reduction in Portuguese Consumer Purchasing Power. The model is completed through Store Openings, being this an approach to grow as well.

[29] We estimate a boost on Continente sales of 3.1%. Given its weight in Sonae MC, the impact is 1.7% growth.

following 5 years, the second 5-year period is estimated to grow at a higher rate (3.5% CAGR>3.3%).

The **combination of the two main brands into Continente** evidences Sonae's anticipation of the following recession period, as this measure allows reduction of costs, mostly from advertisement. Having a single brand, besides reducing these operational costs, it will also strengthen the brand Continente, which even before this announcement was named 7 times consecutively the *Most Trusted Brand.*[30] However, even with these management strategies along with an expected boost in private labels sales (which have higher margins), Sonae MC is forced to **reduce the EBITDA margins**, as the reduction in operational costs will not be enough to carry the cut in the average price per unit. EBITDA growth will only be indexed to the Sales growth, since we expect EBITDA margins to be stable along this period in order for Sonae MC to preserve or even gain market share.

Graph 15: Sonae MC Turnover (Eur Mn) and EBITDA margin



Source: Company data for historical values; Nova Equity Research for estimates

However, each concept has its own characteristics (format, maturity, pricing strategies, products diversity, etc.) and therefore, growth estimations will be different among them. Regarding the main contributors of Sonae MC's turnover, Continente and Modelo, these are also expected to grow at a diverse rate, mainly because supermarket formats appear to be overlapping hypermarkets as convenience is gaining over attractiveness.

Table 12: Modelo "LfL" and "from new stores" Turnover growth (Eur Mn)

	2010	2015	2020	10-15E	10-20E
Turnover	1.577 8,2%	2.029 5,7%	2.438 3,3%	**5,2%**	**4,5%**
"LFL"	1.509 3,5%	1.991 3,7%	2.417 2,4%	**2,8%**	**2,7%**
New Sqm	68 4,6%	38 2,0%	21 0,9%	**2,4%**	**1,7%**
Sales/Sqm	6,92	7,59	8,44	**1,9%**	**2,0%**

Source: Company data for historical values; Nova Equity Research for estimates

Given this, Modelo in its 2 formats will naturally have a major weight in Sonae´s investments, opening stores at a 2.1% CAGR 10-20E, an outcome largely influenced by the following 4 years (CAGR 10-15E 2.5%). In addition, despite the Like-for-Like sales growth fall for the short term in comparison to previous years, this figure keeps been very attractive for the whole period analysis (2.7% CAGR 10-20E). The combination of expanding new stores and keeping a positive LfL growth increases the Average Sales per Sqm (2.0% CAGR 10-20E), resulting into an overall Sales growth of 4.5% (CAGR10-20E).

Table 13: Continente "LfL" and "from new stores" Turnover growth (Eur Mn)

	2010	2015	2020	10-15	10-20
Turnover	1.594 1,7%	1.662 2,5%	1.943 3,1%	**0,8%**	**2,0%**
"LFL"	1.575 0,4%	1.636 0,9%	1.916 1,6%	**-0,8%**	**0,4%**
New Sqm	19 1,2%	26 1,6%	28 1,5%	**1,7%**	**1,6%**
Sales/Sqm	5,53	5,14	5,41	**-1,5%**	**-0,2%**

Source: Company data for historical values; Nova Equity Research for estimates

Continente, as a hypermarket will be more sensitive to this consumption contraction, reflecting the impact on LfL negative growth. Unlike Modelo, Continente does not reveal evidences of a good historical performance at recession periods, as to a LfL analysis, and our opinion is that/ this behaviour will be extended to the next years. However, changes in regulations, which made possible for **Hypermarkets to open on Sunday´s afternoons**, will allow Continente to increase its sales by 3.1%, which is an enough impact to avoid

[30] Award elected by the Portuguese consumers regarding the food retail category. Source: http://economico.sapo.pt/noticias/nprint/3394.html.

having a negative LfL sales growth this year. The opening stores effect will be quite similar over the years as we expect a single store to be inaugurated every year[31].

The remaining three concepts – Bom Bocado, Well's and Book.it – present a large growth potential, supporting our expectations of high sales growth (8.7% CAGR 2010-2020E), driven by enforcement of stores as LfL remains stable in spite of the economic and confidence crisis. The Average Sales per Sqm follows this trend (CAGR 0.1%).

Sonae MC's CAPEX will continue to be mostly indexed to stores improvements, but still relating to investments on new stores' equipment. Regarding the Working Capital investments, we have considered the majority of the impact of the legislation reformulation on Average Payable days[32] in 2011. As a result, and despite the expected cut on Average Inventory days, Sonae MC will invest this year Eur 15m on working capital.

Table 14: Sonae MC DCF (Eur Mn)

Sonae MC	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	T Value	CAGR
EBIT	145	139	142	149	157	164	172	179	186	193		2,8%
After-Tax Operating Income	107	102	105	109	115	121	126	131	137	142		
Depreciations	(85)	(88)	(92)	(95)	(99)	(102)	(105)	(108)	(111)	(114)		
Cash Flow from Operations	**192**	**190**	**196**	**205**	**214**	**223**	**231**	**240**	**248**	**256**		2,9%
Δ Working Capital	15	(2)	(16)	(15)	(15)	(11)	(9)	(8)	(7)	(7)		
CAPEX	116	121	125	124	128	123	127	122	127	127		
Free Cash Flow	**60**	**71**	**87**	**96**	**102**	**110**	**114**	**125**	**128**	**136**	**1.335**	2,4%
Discount Factor	1,00	1,09	1,20	1,31	1,43	1,56	1,71	1,87	2,04	2,23	2,23	
PV FREE CASH FLOW	**60**	**65**	**73**	**73**	**71**	**71**	**67**	**67**	**63**	**61**	**599**	

Enterprise Value	**1.270**

Source: Nova Equity Research Estimates

Table 15: Discount rate WACC breakdown

WACC	**9,32%**
Re	**12,2%**
Rf	3,0%
Beta Equity	0,93
Market Premium	4,5%
Country Risk Premium	5,0%
Rd	**7,9%**
Tax Rate	26,5%
E/EV	0,55
D/EV	0,45

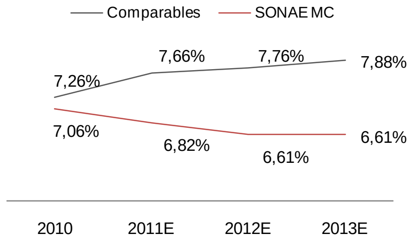
Source: Nova Equity Research estimates

Through this DCF model, we applied a constant discount rate WACC of 9.32%, a conservative rate that reflects the uncertainty concerning the Portuguese sovereign debt and macroeconomic outlook issues in a mature and defensive business. These two characteristics were the relevant inputs for the perpetuity growth of 1.5%, also considering the legal barriers imposed by the Competition Authority when it comes to stores openings, keeping in mind the competition within the sector, which in consequence forces prices to remain low. Our estimates value **Sonae MC for 2011 at an Enterprise Value of Eur 1,270m**, implying an EV/EBITDA of 5.5x. In the retail sector EV/EBITDA multiples, for comparison purposes, turns out to be inconclusive, as Sonae MC and its peers do not share the same approaches when it comes to owning or renting stores. As so, Sonae MC, which does not own any of the property (an activity managed by

[31] Do note that, in our calculations, a new store solely takes impact on the year it is actually inaugurated. As we estimate new stores profitability per Sqm improve over the following 4 years since its inauguration, this excess is incorporated in each year LfL figure.
[32] Decreto-Lei n.º 118/2010, October 2010. "From January, small businesses food suppliers must be paid in 30 or 60 days."

Sonae RP), has certainly higher operational costs by including the whole rental expenses in its accounts. Given the significant impact on EBITDA, we believe that the suitable multiple to compare Sonae MC with its peers is EV/EBITDAR.

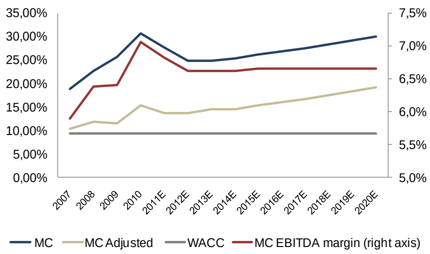
Graph 16: Sonae MC and comparables' EBITDA margin estimates



Source: Nova Equity Research estimates for Sonae's and Bloomberg Consensus estimates for comparables'

In both EV/EBITDA and EV/EBITDAR multiples, the low value presented by Sonae MC may indicate that it is undervalued in comparison to the industry average[33]. Nevertheless, it is clear that the consensus took a different perspective for European food retail growth. On the one hand, the consensus estimates average sector sales to grow at a higher rate (CAGR 2010-2013E 6.0%>2.6%), highlighting the impact of the Portuguese economy recession. Furthermore, the sector average EBITDA growth is expected to be higher than Sonae's (CAGR 2010-2013E 9.4%>0.4%), reflecting the drop in the EBITDA margins and lower sales growth expected to occur during the respective period.

Graph 17: ROIC evolution and WACC



Sonae MC presented a 30.6% ROIC[34] and a growing trend since 2007, reflecting the dilution of the investment made on Carrefour stores and the operational efficiency improvements. However, we consider the Adjusted ROIC[35] to be more accurate for comparison purposes, which illustrates the same shape but with a spread of 10pp. It evidences a gradual ROIC growth as we have assumed throughout our model Sonae MC Turnover 3.5% growth (CAGR 2010-2010E) and stable EBITDA margins, while invested capital will only grow at 3.0%. This increment will further accentuate the difference between ROIC and WACC (9.32%), meaning that **Sonae MC is actually providing a higher rate of return than the required.**

Given the relevance of Sonae MC on Sonae SPGS´ EV, we disclose the outcomes of a deviation on significant variables – Food consumption and WACC. By means of a very volatile macroeconomic environment, some WACC inputs[36] may eventually be different from our perspective, which would have considerable impact on Sonae´s EV. On the other hand, it is not as sensible to food consumption deviations.

Table 16: Sonae MC Sensibility Analysis – Impact on Sonae SGPS Price target (Eur)

		Discount Rate Variation		
		-1%	0%	1%
Food Consumption Variation	1%	0,9	0,81	0,75
	0%	0,88	0,80	0,73
	-1%	0,86	0,78	0,72

Source: Nova Equity Research Estimates

33 Vide Appendix 2.
34 Return on Invested Capital. Our calculations were based on Annual EBIT to Invested Capital.
35 Incorporates its proportion on the RP's Invested Capital and EBIT.
36 Do note that WACC is very sensitive to Cost of Debt and Country risk premium variations, and although we considered a conservative perspective, both these inputs can still deteriorate. On the other hand, it is also feasible that Sonae can get access to credit at a lower cost, which would decrease WACC and consequently appreciate Sonae´s EV.

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▪ Valuation – Sonae SR

We applied the same valuation method[37] as for Sonae MC, although, since Sonae SR is present in different markets and at different expansion levels, we computed it individually – Sonae SR Portugal and Sonae SR International[38].

Table 17: SR Portugal "LfL" and "from new stores" Turnover growth (Eur Mn)

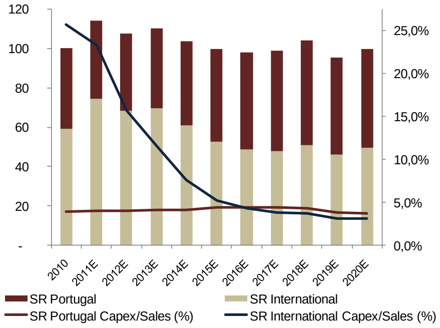
	2010	2011	2012	2015	2020	CAGR 10-15E	CAGR 10-20E
Turnover	1.042	1.003	977	1.060	1.349	**0,4%**	**2,6%**
	5,5%	-3,7%	-2,6%	3,7%	4,7%		
LFL	991	993	966	1.039	1.327	**-0,8%**	**0,9%**
	0,3%	-4,7%	-3,7%	1,6%	3,0%		
New Sqm	51	10	11	21	22	**2,0%**	**2,0%**
	5,1%	0,9%	1,1%	2,1%	1,7%		
Sales/Sqm	4,15	3,91	3,75	3,81	4,25	**-1,3%**	**0,2%**

Source: Company data and Nova Equity Research Estimates

We expect that, even with promotional campaigns and being market leader in the consumer electronics and sports' goods, Sonae SR Portugal Turnover is about to face a cut on spending period by consumers by 2015, reflecting LfL sales growth of -0.8% CAGR 10-15E. Although we expect Zippy to keep having good performances, the main turnover drivers – Worten, SportZone and Modalfa – will not only record negative LfL Sales growth but also a deceleration of the stores openings, giving priority to the international expansion. Nevertheless, the overall SR Portugal turnover will keep having positive CAGR 10-15E.

The concept with more weight on overall Turnover in Worten, which although being market leader with 30% (against Media Markt, the fiercest competitor with 9%) and following consumer´s new requirements - offering *Low Cost promotions* and own brand products -, is expected to have a LfL growth of -1.6% (CAGR 2010-2015E).

Graph 18: SR Portugal and International CAPEX (Eur Mn) and CAPEX/Sales growth



Source: Company data and Nova Equity Research Estimates

Struggling against the limited growth opportunities of the very mature domestic market, Sonae SR started in 2008 an international operation with particular focus in Spain. We believe that, given the larger contraction of the Portuguese non-food goods´ consumption expected for the following years, this effort of going international will be intensified, as stores openings will grow at 22% CAGR 2010-2015E[39]. Although it is following the capital light strategy (renting sales area, Joint Ventures and franchising contracts), it will imply extra CAPEX for the following 4-year period; Capex/Sales ratio will be yearly diluted, as sales will keep boosting and CAPEX reduced. In contrast, there should not be much investment in Portugal during the following 5 years, reflecting the market maturity and reduction of the demand for discretionary goods.

[37] DCF Model and Sales Model.

[38] Expansion plan for Worten, SportZone and Zippy. It already accounts for the Joint Venture - 51% of 14 Worten and 14 SportZone to open by 2014 in Canary Islands) and the franchise contracts (14 Zippy in Canary Islands and 70 Zippy in 9 Middle East countries by 2014).

[39] Does not accounts for JV and franchising stores openings

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Table 18: SR International "LfL" and "from new stores" Turnover growth (Eur Mn)

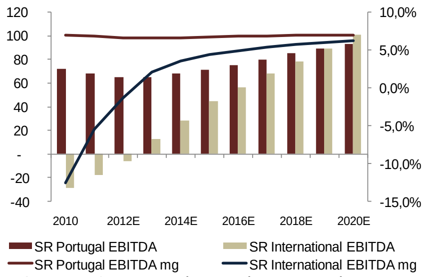
	2010	2011	2012	2015	2020	CAGR 10-15E	CAGR 10-20E
Turnover	230	319	436	1.010	1.604	**34,4%**	**21,4%**
	59,8%	38,9%	36,6%	26,3%	20,9%		
LFL	191	269	383	968	1.585	**23,3%**	**17,4%**
	33,1%	17,1%	19,7%	21,1%	19,5%		
New Sqm	39	50	54	41	18	**15,5%**	**9,4%**
	26,8%	21,8%	16,8%	5,2%	1,4%		
Sales/Sqm	2,69	2,64	2,80	4,14	5,22	**10,1%**	**6,9%**

Source: Company data and Nova Equity Research Estimates

As expected, the contrast between them is also noticeable in Turnover figures. SR International will have an essential contribute to Sonar SR overall Turnover, as both the inputs – sales area and sales per Sqm – will naturally increase in the following years. The still early phase of expansion allows Sales per Sqm to improve significantly in a short term analysis, and in the long term we estimate it to achieve the Portuguese ratio. We believe that in the following three years SR International will commit itself to nearly 50 stores openings per year (including the JV and franchising), and this will contribute to 17,4% growth of SR international Turnover, each year.

According to Sonae, SR International will reach the break-even EBITDA in 2012. In our estimates we were more conservatives and delayed this target for one year. While **SR International EBITDA margin increases, in the short term we estimate the Portuguese to slightly squeeze**, as a reflection of the effort to keep low prices while inflation rate increases affecting materials purchases. We estimate this margin to be stable afterwards in a way of preserving the market leadership positions. As regards SR International EBITDA margin, the tendency is to get close to the Portuguese, still never actually get there or surpass while Worten represents a higher stake (65%) of the SR International overall turnover than SR Portugal consumer electronics (54%). This is because consumer electronics has a thinner margin in comparison to the remaining businesses, and therefore it pulls the weighted average EBITDA margin down.

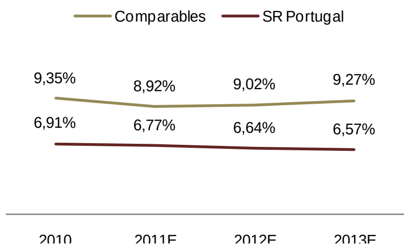
Graph 19: SR Portugal and International EBITDA (Eur Mn) and EBITDA margin



Source: Company data and Nova Equity Research Estimates

It is, though, worth mentioning that Sonae RP comparables Weighted Average EBITDA margin is extensively higher than Sonae itself. Although Sonae does not discriminate EBITDA by segments, we believe that the reason for that discrepancy lies on the apparel and sports' segments margin, of 24.7% and 12.2%, respectively. After shrinking in 2011, the difference is expected to be incremented afterwards, again as an evidence of the Portuguese macroeconomic downturn.

Graph 20: Sonae SR Portugal and comparables' EBITDA margin estimates



Source: Nova Equity Research estimates for Sonae's and Bloomberg Consensus estimates for comparables'

Table 19: Sonae SR DCF (Eur Mn)

SONAE SR	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	Tvalue	10-20E
EBIT	11	18	34	49	64	75	88	100	111	123		61,8%
After-Tax Operating Income	8	13	24	35	45	54	63	71	79	87		
Depreciation	(40)	(40)	(43)	(48)	(52)	(56)	(60)	(63)	(67)	(71)		
Cash Flow from Operations	**47**	**54**	**67**	**82**	**97**	**109**	**122**	**134**	**146**	**158**		14,8%
Δ Working Capital	8	(1)	(7)	(5)	(5)	(3)	(3)	(2)	(2)	(1)		
CAPEX	114	107	110	104	99	98	99	104	95	100		
Free Cash Flow	**(75)**	**(53)**	**(36)**	**(16)**	**3**	**15**	**26**	**33**	**52**	**60**	**664**	
Discount factor	1,00	1,11	1,22	1,35	1,50	1,66	1,83	2,03	2,24	2,48	2,48	
PV FREE CASH FLOW	**(75)**	**(48)**	**(29)**	**(12)**	**2**	**9**	**14**	**16**	**23**	**24**	**268**	
Enterprise Value	**192**											

Source: Nova Equity Research Estimates

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Table 20: Discount rate WACC breakdown

WACC	10,62%
Re	**14,58%**
Rf	3,05%
Beta Equity	1,21
Market Premium	4,50%
Country Premium	5,00%
Rd	**7,87%**
Tax Rate	26,50%
E/EV	0,55
D/EV	0,45

Source: Nova Equity Research Estimates

Through this DCF model, we applied a constant discount rate WACC of 10.62%. It was computed considering the same inputs as Sonae MC, although it assumes a higher volatility (and therefore risk) than food retail business, as evidenced in Beta. We came up with an overall **EV of Eur 192m**, which encompasses the Portuguese and International businesses, although the first accounts for Eur 246m. This means that **despite the investment Sonae SR is making on expanding internationally, it is not, under our calculations, creating value to shareholders**.

SR Portugal, being more matured, allows for an accurate comparison with its peers. It is clear the sector's growth estimation[40] in all segments, with evidence to sports and apparel, in opposition to our perspective to SR Portugal.

▪ Valuation – Sonae RP

Sonae RP is the business unit responsible to manage Sonae´s retail properties. As so, the turnover corresponds exactly to the rents required to both Sonae MC and SR, and given the low operational costs that this activity demands, EBITDA is usually close to turnover values.

Table 21: 2010 Retail properties sales Eur Mn (the last refers to 2011's)

	Sale	Capital Gain	Yield
Azambuja Platform	33,3	7,0	**7,6%**
2 Modelos	12,2	3,0	**7,2%**
4 Modelos 3 Shopping Stores	65,0	29,0	**7,0%**
1 Continente 1 Worten	42,3	16,6	**6,1%**
Average			**6,9%**

Source: Company data

In accordance to the *Capital Light* strategy, since last year Sonae RP started reducing the operational investments, assuming a new approach – Sales and Leaseback – which basically consists on selling the own property and lease it back to the new renter, with the intention of releasing some invested capital. So far, these deals were done on a Triple Net[41] basis and closed at unexpected low yields, specially this year on March (6.1% yield) outperforming last years' average transactions around 7.2%.

Table 22: Sonae RP Operational Indicators (Eur Mn)

Sonae RP	2010	2011E	2012E	2015E	2020E	10-20E
% Own Stores	62%	55%	47%	35%	30%	-7,0%
Turnover	126	115	106	94	103	-2,0%
EBITDA	149	110	106	90	91	-4,8%
margin	118%	96%	100%	96%	88%	
EBIT[42]	117	80	78	67	68	-5,4%

Source: Company data and Nova Equity Research Estimates

According to Sonae, this strategy is expected to be followed until the ownership of food retail properties is reduced from the current 81% to 50%. This will have immediate impact on 2 figures: sales and Capex. Comprehensively the first one, even with inflation pulling up the rent per Sqm, will gradually decrease as each store is sold. As for Capex, we estimate it to be zero, assuming that afterwards Sonae will only make leased property contracts (Triple Net – which will not imply any further investment) instead of actually owning it.

[40] Vide Appendix 2
[41] The renter takes responsibility for the operational costs, maintenance and insurance of the property.
[42] Do note that EBITDA and EBIT incorporate the capital gains from property sales.

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Table 23: Sonae RP DCF (Eur Mn)

SONAE RP	2011E	2012E	2015E	2020E	TV	CAGR
EBIT	79	74	60	69		-5,1%
After-Tax Operating Income	56	53	43	49		
Depreciation	(30)	(27)	(25)	(25)		
Cash Flow from Operations	**86**	**80**	**68**	**74**		-4,3%
Δ Working Capital	4	(0)	(1)	(1)		
CAPEX	0	0	0	0		
Free Cash Flow	**82**	**80**	**69**	**75**	**971**	-1,7%
Discount factor	1,00	1,10	1,46	2,33	2,33	
PV FREE CASH FLOW	**82**	**73**	**47**	**32**	**417**	
Enterprise Value	**919**					

Source: Nova Equity Research Estimates

These two assumptions along with keeping the EBITDA margin constant, allowed valuing Sonae RP through the DCF Model, with which we came up with an **EV of Eur 919m**, leading to an implied EV/Sales of 8.5x. We find this multiple more accurate than EV/EBITDA since in our calculations EBITDA incorporates the capital gains from sold stores. This 10-year period FCF was discounted at 9.85%, a conservative rate given the average yield implied in the recent Sale & Leaseback transactions. In fact, if we were to use this yield (6.9%) on the 2011 Turnover, Sonae RP's EV would boost up 80% to Eur 1,653m. However, we believe that under the recent macro events, it will be difficult for Sonae to keep closing deals at such rates as investors demand higher yields to cover higher risks.

Shopping Centers

- Market Overview

The **Real Estate attractiveness** is reliant on on the combination of two single features – **rents and yields**. The first can be divided into fixed – it will only grow by means of inflation, number of Sqm rent – and variable – tenant sales growth. The yields represent the risk of the investment, and therefore a wide range of aspects will be taken into consideration when it comes to invest on real estate. Briefly, investors detect risk from two perspectives: macroeconomic – region growth evaluated by the usual economic indicators, such as unemployment, inflation and interest rates, credit rating and others that affect consumers' confidence levels – and microeconomic – asset characteristics, where the Effort rate[43], the Marketing Mix[44], Catchment Area[45] and contracts security are indicators that require a cautious and deep analysis.

[43] Operational Costs/Turnover Ratio. The lower the ratio the safer the asset is.
[44] Shopping Center management – stores distribution, etc.
[45] Number of people per Sqm. The enlargement of this indicator can persuade a company to open a store there.

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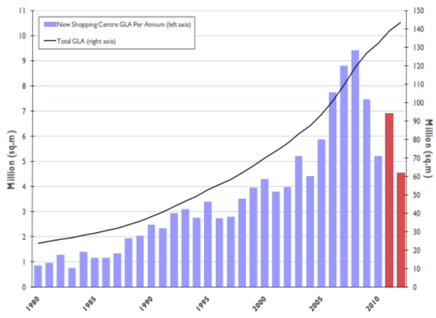
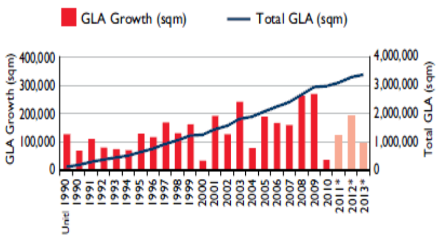
Graph 21: European Shopping Centre historical and estimated growth



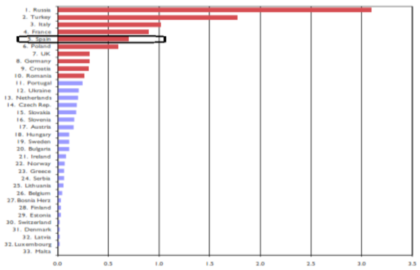
Source: "Shopping Centre Development Report" – Cushman & Wakefield, March 2011

Graph 22: Portuguese Retail Development growth



Source: "Portuguese Real Estate Market" – Cushman & Wakefield, March 2011

Graph 23: European Shopping Centre Pipeline 2011/2012 (Sqm Mn)



Source: "Shopping Centre Development Report" – Cushman & Wakefield, March 2011

In 2010, the European Shopping Centre completion fell for the second year consecutively, with 165 openings (5.2M m^2 GLA[46]), a decrease of 30% from 2009 results. As confirmed in Cushman & Wakefield's market research, Europe suffered the lowest completion results since 2004 and the lowest in development since 1983, highlighting the difficulties of the sector during the year. In fact, the past recent years have been characterized by upward movements on yields and lower rents per Sqm, the major contributing factors for this investment deceleration. Nevertheless, we believe that in most European countries the feeling "reached the bottom" finally arrived, as the average European yields decreased from 7.51% (December 2009) to 7.08% (December 2010). Investors, even though still prudently, are gaining confidence and 2011 is, as indicated in the graph 21, expected to slowly become the start of a recovery, developing and completing not only 2011's projects but also the 2010's that ended up being held unfinished.

The Portuguese market did not escape from the financial crisis impact on real estate, also watching yields growing while assets value were falling. However, similarly to its European peers, it also evidenced behaviours of willingness for recovery, before it actually fell again due to the instability and lack of confidence moved by a reestablishment of the political and economical crisis. Moreover, regarding the Portuguese market maturity, it has one of highest ratios of Shopping Centre GLA per 1000 population (nearly 300 Sqm) in Europe, reasonably above the average (over 200 Sqm). On the retailer perspective, that is willing to keep growing and expanding its product/brand, it may even consider alternatives when deciding where to open a new store – a mature market or a growing format like high street. The whole uncertainty about the economic recovery, along with the fact of dealing with a very mature market, makes it less attractive for investors who, for the following recent years, will have a preference for other markets. In sum, despite of growing at a fairer rate than last year's, the opening of shopping centres for the following years is likely to be quite below the last 10 years average, accompanied by stable yields and unchanged rent per Sqm.

Spain's future prospect is slightly different, since it continues to show proofs of reacting against the crisis. In fact, after being responsible for a high percentage of the new Sqm GLA in 2010, it is again in the top of the 2011/2012 European shopping centre pipeline table, with a contribution of nearly 0.75Mm^2. Shopping

46 Gross Leasable Area.

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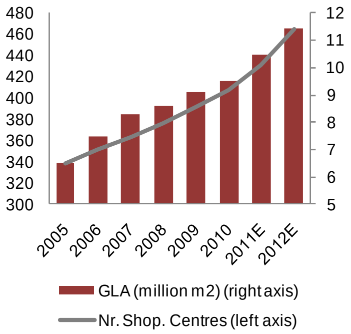
centres yields ended 2010 at 6.0%, an improvement from 2009 (6.25%), a figure we believe will remain flat afterwards.

Graph 24: Brazilian Shopping Centre's sector growth



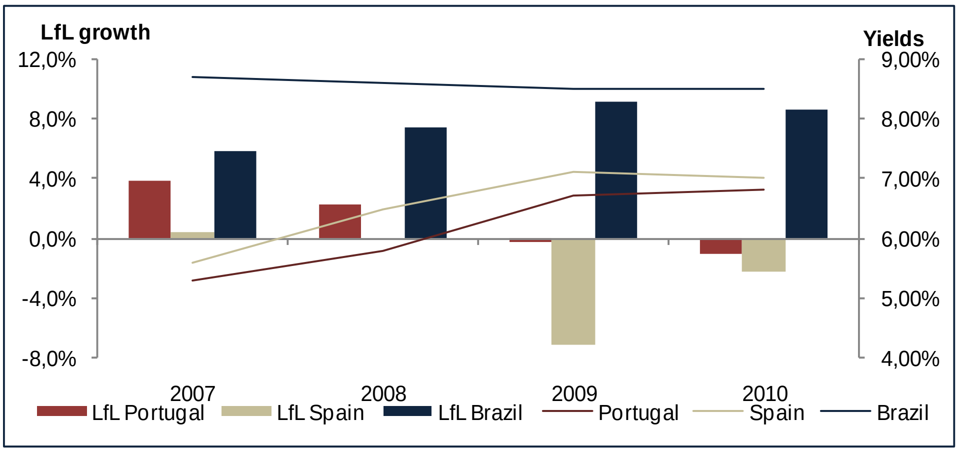
Source: ABRASCE

Mainly driven by investments of international groups, the Brazilian Shopping Centre´s sector is being growing at 7.8% (CAGR 2005-2010 – GLA). After Sales increasing 17.5% in 2010 to R$ 87bl, according to ABRASCE, a 12% increment is expected in 2011, as 23 new buildings are due to be inaugurated. Despite the growing opportunity in the North and particularly Northeast[47] (as it is the second Brazilian Region with most population) of the country, the pipeline points towards other regions[48], namely Southeast. In fact, the Sonae Sierra Brazil has 3 projects under construction, geographically distributed throughout the South, Southeast and Centre-West.

▪ Valuation – Sonae Sierra

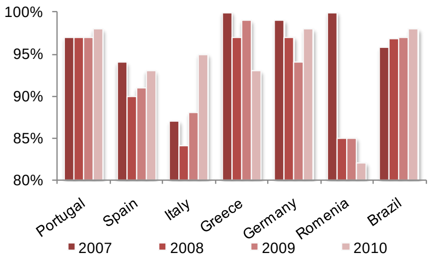
Accordingly with the Net Asset Value (NAV)[49] method, Sonae Sierra contributes with Eur 1.221m to Sonae SGPS´s Equity Value. Corresponding to the fair/market value of the company net assets, it changes every time the expected future cash flows and/or the respective yield of a certain asset changes.

Graph 25: Sonae Sierra most relevant markets' past performance



Source: Company data

Graph 26: Occupancy rates evolution by country



Source: Company data

Supported by the graph, one can easily understand the reason why Sonae Sierra´s NAV depreciated 27% from 2007 (NAV Eur 1.713m) to 2010 (NAV Eur 1. 251m). It characterises the performance of the shopping centres in the three markets at which its presence is more significant (nearly 80% in OMV[50]),

[47] Vide Appendix4.
[48] According to ABRASCE (Brazilian Shopping Centre's Association) projections for 2011 and 2012.
[49] A valuation performed by Cushman & Wakefield, a specialized and independent entity.
[50] Open Market Value

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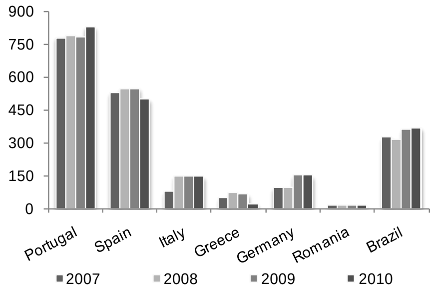
revealing the Portuguese and Spanish markets quite vulnerable to the crisis, as both the figures performed opposite directions (average property yields sharply increased over the 4 years, while LfL rents suffered a big cut in 2009 being extended to 2010).

Graph 27: Owned or Co-owned GLA ('000 m2) by country



Source: Company data

The decline was somehow offset by the Brazil business unit, which in the last three years kept high LfL grows rates while downgrading yields[51]. Do note that Occupancy rates and new Sqm GLA are also an extremely important input to increase rents. In general, since 2007 Sonae Sierra has been investing in all the markets, although the last two years evidence investment stagnation, with the exception of the Brazilian (grew 17% in Sqm GLA from 2008 to 2010) and Portuguese (LeiriaShopping opening in 2010) markets. Disinvestments were observed in Spain and Greece, following the recycling capital strategy. As regards the occupancy rates, Sonae Sierra is being capable of maximizing the Sqm it holds, resulting into a general increase of that indicator, with the exception of Greece and Romania. The combination of these two figures, along with LfL growth allowed rents rising at 9.1% CAGR 2007-2010.

Table 24: Sonae Sierra Pipeline

Inauguration Date		(´000 m2)
2011	Italy	38.5
	Brazil	43.6
2012	Brazil	47.8
2013	Brazil	78.1
Not Defined	Portugal	24.0
	Germany	41.2
	Greece (2)	38.5 / NA
	Romania(2)	123.0

Source: Company data

Looking upon Developments business unit, the pipeline (10 Shopping Centres) covers all the markets Sonae Sierra has already invested on, being Brazil and Italy the ones with higher priority as all the four are under construction and have defined inauguration dates. The remaining 6 buildings are in different development phases but the inauguration dates are still to be defined. However, expansion plans raises financing problems since real estate investments require huge amounts of capital, namely to start developing projects. Given the expected difficulty on raising debt, not only on the Portuguese banks but eventually on the international´s (where the property will be developed), Sonae Sierra assumed a strategy based on capital recycling[52]. This approach allows Sonae Sierra to invest on countries where it believes will create value, by taking advantage of the still developing retail industry. In fact, this present year we have already witnessed two Spanish shopping centres alienations which, even though within an international financial and economic downturn period, the financial capital markets approved quality of the assets owned and managed by Sonae Sierra.

Table 25: OMV by country

Inv. Prop.	2009	2010	% Change
Portugal	1.451	1.468	1,2%
Brazil	361	620	71,9%
Spain	703	522	-25,7%
Italy	300	196	-34,7%
Germany	469	408	-13,0%
Romenia	30	16	-45,6%
Greece	37	33	-11,8%
Total	3.350	3.262	-2,6%

Source: Company data

[51] Yields do not have any impact on Cash Flows, although it contributes indirectly to Sonae Sierra Income.
[52] Alienate participation on Funds, namely on SPF, reducing from 47% to 25%.

Given the challenging economic environment in Europe, **we estimate in general flat yields** for the next years. The Portuguese and Greek prime yields are though likely to slightly (+50pp) increase, incorporating the higher risks of more unstable economies. In addition, in these countries **LfL rents** are also likely to suffer a cut, while in the others it may possibly **follow the inflation rate**; the same happens with **occupancy rate,** which in general is expected to **remain stable** or even softly increased, in line with economy recovery and due to the good shopping centre management, whereas Portuguese and Greek's may reduce due to the retailers' expenses reductions to struggle against drop in sales. As for Sqm GLA expansion, the pipeline confirms the low investment till 2013, which, combining with the yields estimation, we expect Investment Properties to stay still, with moderate tendency to depreciate, given the high weight on the Portuguese market. The matchup of these inputs will lead to a lightly **downgrade of Sonae Sierra NAV**, even though expecting a good performance from the Brazilian business unit.

Table 26: NAV evolution

2008	2009	2010	2011E
1.416	1.228	1.251	1.197

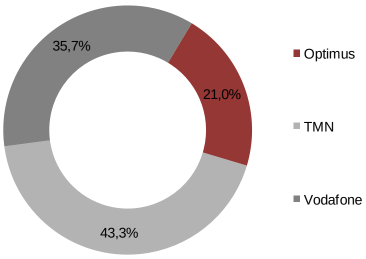
Source: Company data and Nova Equity Research Estimates

Telecommunications

- Market Overview

In accordance to ANACOM[53] last study on the communications sector, even after two consecutive years with negative growth, the mobile voice segment remains the market leader (55%) in revenues[54] in 2009. This segment is characterized by a deep concentration of three players – TMN with a 44% market share, Vodafone with 39% and Optimus with 16%, which are in a constant struggle to gain each other's market share.

Graph 28: Current Portuguese Mobile Sector Market Share



Source: Company data

We believe that, compared with several European countries[55], the Portuguese mobile sector is at a higher saturation level, given the evidenced superior penetration rate[56] of about 155%, against the much lower average of 130%. This means that, going forward, it is very likely that the market will verify stagnation in new subscribers and reveal a growing correlation with population patterns' growth. Under this assumption, price campaigns will gain power and will be

[53] National Communications Authority.
[54] We focused our analysis on the mobile segment given its weight on SNC P&L. Accordingly with the company's data, the mobile business, which includes mobile internet services, accounts for 95% of overall EBITDA.
[55] Vide Appendix 5.
[56] Expresses the number of mobile phones with the population.

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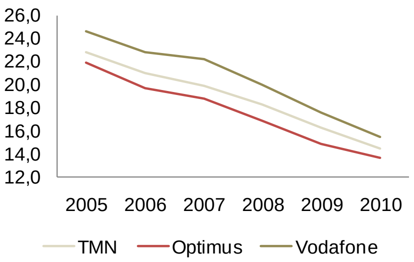
determinant for future mobile operators' strategy to gather competitors' customers.

Graph 29: ARPU evolution



Source: SNC 2010 Annual Report

In fact, communication prices have been negatively influencing operators' revenues. Despite the customers' general tendency to talk[57] slightly more on the phone over the years, higher competition among operators forced ARPM[58] to be pulled down. In addition, ANACOM has been gradually reducing the Mobile Termination Rate (MTR), contributing both for the significant yearly cut in ARPU[59] (Graph 29). Even with some benefits regarding the MTR, Optimus has the lowest ARPU.

Table 27: MTR growth expectations

	Rate (€)
May-10	0,060
Aug-10	0,055
Nov-10	0,050
Feb-11	0,045
May-11	0,040
Aug-11	0,035

Source: SNC 2010 Annual Report

It is however expected, under the Troika Memo, that until the third quarter of 2011 the MTR will continue to be reduced to Eur 0.035[60]. This measure will generally reduce all the players' ARPU, but will privilege the ones with lower market share (Optimus), which being in minority, have to make more frequently calls to other operators' mobile phones, being charged MTR all the time.

- Valuation – SonaeCom

Table 28: Sonaecom Operating Figures Breakdown

(€ Millions)	Turnover		EBITDA	
Business	2009	2010	2009	2010
Mobile	566	558	167	186
Fixed	245	238	6	3
SSI	150	143	8	8
Media	30	30	-3	-1

Source: Company data

June 3rd 2011- **Market Capitalization: Eur 532m**

Given these market conditions, and under the assumption of Optimus lack of success on gaining market share to its competitors, we expect Sonaecom's **mobile segment turnover to be gradually reduced** as MTR and macroeconomic outlook – which may cut the Minutes of User per Month (MOU) - are fairly likely to keep pulling ARPU down. On the other hand, Media and Optimus Fixed business will have new drivers for revenue growth, through Público (will charge a fee on some tablets' online contents) and through the implementation of fibre network[61] in fixed residential business. Nevertheless, henceforth, **SNC's EBITDA is expected to be improved** as a result of the full integration of the fixed and mobile businesses and the efficiency gains of the fibre network recent implementation, as well as the MTR reduction, which accounts currently for a large percentage of operational costs[62].

[57] MOU – Minutes of Use per Customer per Month.
[58] Average Revenue per Minute.
[59] Average Monthly Revenue per User.
[60] Vide Appendix 3.
[61] The investment on the fibre network is a JV with Vodafone that allows both the operators to exploit it.
[62] Being Optimus the mobile operator with less customers market share, and therefore a larger probability to make inter-operator calls, MTR imposes higher operational costs at each phone call compared to the its competitors.

Table 28: Sonaecom Comparables multiples

	EV EBITDA	PE
Portugal Telecom	9,03	31,35
Vodafone	7,88	10,78
Zon	6,15	31,15
Deustche Telekom AG	5,63	33,45
Average	**6,81**	**22,93**
Equity Value	973,6	940,0
Price per share	**2,65**	**2,56**

Source: Bloomberg

Based on **Market Capitalization of Eur 532m** (Eur 1.507 per share) and knowing that Sonae SGPS owns 53%, Sonaecom is responsible for 13.0% of Sonae SGPS' Equity Value. Accordingly to markets' perception, it implies an EV/EBITDA and P/E of 4.64x and 13.46x, respectively. If we were, though, value SNC through **its comparables multiples** (also EV/EBITDA and PE), SNC price per share would be Eur 2.61, implying a **12.5% variation on Sonae SPGS price target to Eur0.90.**

Investment Management

Table 29: Investment Management Operational figures

	2007	2008	2009	2010
Turnover	222	221	192	207
EBITDA	13	7	30	6
margin	5,9%	3,1%	15,8%	2,7%
EBIT	9	1	25	-2

Source: Company data

This Business Unit valuation was compromised due to lack of information. Thus, we applied the DCF Model, although under a range of assumptions we found to be more accurate.

Investment Management (IM) value is, first and foremost, extremely conditioned by the low operational performance, supporting considerably thin EBIT margins. Even considering yearly Turnover growth of 4% and EBITDA margin close to 7.2%[63], while CAPEX is expected to reflect limited expansion plans, we came up with IM's EV of Eur 86m. Knowing that the Net Debt corresponds to Eur 80m, IM's Equity Value is nearly Eur 6m. If we were, though, to use the Invested Capital less Net Debt approach, it would result into Eur 76m, and a Eur 0.3 per share positive impact on Sonae SGPS' price target.

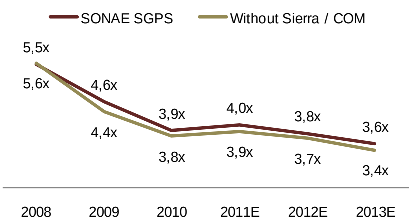
Too leveraged to *Investment Grade*

Table 30: Leverage indicators

	2008	2009	2010
Invested Capital	4.721	4.781	4.714
Net Debt	3.159	3.080	2.850
Net Debt / Invested Capital	66,9%	64,4%	60,5%

Source: Company data

Graph 30: Net Debt / EBITDA



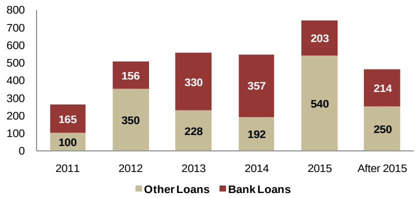
Source: Company data

It is true Sonae is making efforts to resort less on Debt[64] as a source of funding (Table 30) and that Sierra is responsible for a large stake of the overall Net Debt (29% in 2010). However, it is also true that after excluding the non-Core Businesses (Sierra and Com), Sonae ended 2010 with a Net Debt of Eur 1,673m, resulting into a Net Debt to EBITDA ratio of 3.8x. From graph 30, it is clear that even leaving out those two business units, Sonae still presents high leverage levels, being actually both extremely close. Even after decreasing 2 years consecutively, this ratio remains quite above the retail industry peers[65]. We expect that tendency to be interrupted due to the higher reduction of EBITDA when compared to the Net Debt's[66]. Even with the capital from the Sales &

63 In line with historical data average.
64 As an evidence of the Capital Light strategy.
65 A note to remind that each retailer has its own strategies when it comes to property assets' management.
66 Our estimates include the Sale & Leaseback strategy to reduce the ownership of Sonae MC Properties from 81% to 50% by 2013. We expect that this would free capital by Eur 325M over the 3 years. On the other hand, it also assumes Sonae to keep its dividends distribution policy.

Leaseback strategy, the low operational performances for the 3-year period ahead does not allow Sonae to collect enough capital for significant reductions in Debt. The following two years evidence the slow but sure EBITDA improvements while Debt continues to be gradually cut down.

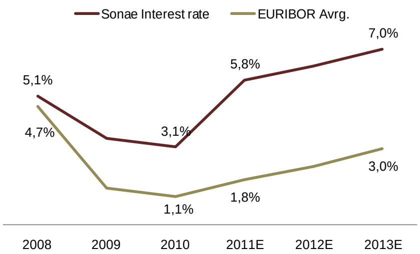
Graph 31: Debt payment schedule



Source: Company data

Net Debt / EBITDA is of great importance[67] given the company's willingness to get an Investment Grade profile in 2012[68]. The expected limited capacity for Portuguese banks to concede credit would turn the financial goal an alternative for raising debt, as Sonae could get easier access to financial markets. In fact, from 2012 onwards Sonae will be seeing major loans maturing and therefore, given the **insufficient cash flow generated internally, it will face refinancing needs**.

Graph 32: Historical and forecasted Sonae's interest rate



Source: Company data

However, in our perspective, and based on the 2012 NetDebt/EBITDA, Sonae will not have the conditions required by the Rating Agencies to achieve the aimed Investment Grade. As a consequence, the nearly Eur 3.0bn of Debt maturing in the following 5 years must be paid, at least partially, and **new debt must be raised near the Portuguese banks**. Our model assumes Sonae will be able to refinance itself, although tougher requirements will be imposed, such as much higher spreads and lower loans' maturity. As so, assuming Euribor[69] rates to progressively move back to values prior the international financial crisis, due to the influence of inflation rates and a reinstalled confidence within the euro zone, and assuming spreads (4% in opposition to 2% in past recent years) required by Portuguese banks to evidence their lack of liquidity and confidence on the economic growth, the cost of funding will worsen from 3.1% in 2010 to 7.0% in 2013.

Sonae MC goes International

Given the limited growth opportunities in the Portuguese food retail market, Sonae has mentioned its willingness to expand internationally Sonae MC's technical know-how, net working and retail experience. In fact, a partnership with Condis[70] has already been officially announced by Sonae. It involves the expansion of the hypermarket format Continente[71] to the Angolan market in a

[67] According to Moody's Rating Methodology, an Investment Grade profile should, along with other references, keep a Net Debt/EBITDA close to 3x.
[68] Announced at HSBC Conference – March 2011.
[69] Forward Rates Agreement. Source: Bloomberg.
[70] Majority-owned by Isabel dos Santos, daughter of the President of Angola, José Eduardo dos Santos.
[71] The first inauguration is expected to occur by 2013.

Joint Venture[72] approach, in line with the capital light and investment diversification strategies defined by the company.

With regard to the macroeconomic situation, Angola has currently over 19 million people, with a CAGR 2010-2015E of 3.0%, reaching 22 million in 2015. Moreover, it is expected that this period will be characterized by an economic growth rate of 7.5% (CAGR 2010-2015E), which by growing faster than the populations' will result into a gradual enlargement of the purchasing power per capital (4.4% CAGR 2010-2015E). It is, though, worth mentioning that, in this chapter, some risks may arise from the political and economic instability, but also foreign currency and oil prices volatility.

Table 30: Angola Economic Indicators

	2011E	2012E	2013E	2014E	2015E
GDP growth	7,8%	10,5%	6,5%	6,4%	6,4%
Inflation rate	14,6%	12,4%	8,9%	6,5%	6,0%
Population (Millions)	19,6	20,2	20,8	21,4	22,1

Source: IMF – World Economic Outlook database, April 2011

On the other hand, concerning the food retail market, it is still in an emerging phase, as the modern retailers are only responsible for 10% of the market share[73]. Actually, it relies basically on three entities - Shoprite Group, Kero and Jumbo. The first was the pioneer, counting since 2003 with 3 Shoprite stores (supermarket format: 2 in Luanda and 1 in Lobito) and 5 Usave stores (outlets: all in Luanda), and is the main player in this business. More recently, Kero and Jumbo opened their first (and so far single) stores, in hypermarket format. This still smooth competition environment may be in favor of Sonae's intentions of reaching the market leadership position. There is, however, an evident **operational downside** that comes from the current low productivity of the Angolan agricultural sector and the lack of internal logistic. This risk, even though being under improvement programs[74], must be in a short term period mitigated by a vast range of international and national suppliers and distribution channels.

Nevertheless, we do lack of detailed information regarding the expected number of stores openings and the capital investment involved in each event, which prevents us from an in-depth analysis and therefore, it was not incorporated in our valuation model. However, Sonae's present financial situation – low cash flow generation in Portugal and Net Debt reduction – makes us believe that this will be a gradual investment, with stunning long term prospects.

[72] Sonae holds 49% and Condis the remaining 51%, sharing strategic decisions while Sonae is in charge of the operational management. It does not involve property investment capital as well, accounting with national investors who are willing to make leasing contracts.

[73] Sonae April 15th press release.

[74] According to USAID – *Helping Angola to Restore Angola´s Agricultural Sector*, programs are being developed to reinstall the agricultural production. It is based on the historical performances, when Angola "was the world's fourth largest exporter of coffee; a competitive exporter of sugarcane, bananas, palm oil and sisal; and self-sufficient in all crops but wheat", and on a belief on the "country's fertile soils, plentiful water, climatic diversity and hard working farmers"

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Financial Statements

INCOME STATEMENT	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Turnover	5.665	5.914	6.043	6.208	6.512	6.923	7.356	7.723	8.080	8.435	8.779	9.132
EBITDA	667	729	699	702	723	748	785	818	851	883	915	948
EBIT	349	409	407	408	425	442	471	497	524	549	574	600
Financial results	-123	-107	-175	-180	-188	-166	-168	-146	-145	-119	-111	-101
Direct Net income	171	192	142	140	146	169	186	214	231	263	282	304
Indirect net income group share	-77	-24	-14	-9	-4	6	26	46	66	81	96	111
Net income group share	**94**	**168**	**128**	**131**	**142**	**175**	**212**	**261**	**298**	**344**	**379**	**415**

BALANCE SHEET	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Fixed Assets	5.018	4.915	4.848	4.823	4.844	4.967	5.083	5.260	5.443	5.627	5.809	5.997
Other Non Current Assets	1.091	1.131	1.131	1.131	1.131	1.131	1.131	1.131	1.131	1.131	1.131	1.131
Stocks	603	682	651	670	703	748	797	837	877	916	954	993
Trade Debtors	208	187	173	178	187	199	211	222	232	242	252	262
Liquidity	230	263	156	150	150	150	150	150	150	150	150	150
Other Current Assets	402	374	374	374	374	374	374	374	374	374	374	374
TOTAL ASSETS	**7.552**	**7.552**	**7.334**	**7.326**	**7.389**	**7.569**	**7.745**	**7.974**	**8.206**	**8.440**	**8.670**	**8.907**
Total Equity	**1.701**	**1.861**	**1.956**	**2.053**	**2.163**	**2.311**	**2.499**	**2.738**	**3.015**	**3.341**	**3.703**	**4.102**
Bank loans	1.208	1.128	1.073	954	868	948	1.145	1.098	986	876	757	802
Other loans	1.736	1.712	1.362	1.293	1.282	960	1.007	954	870	769	599	650
Other Non Current Liabilities	617	615	598	598	598	598	598	598	598	598	598	598
Bank loans	233	165	156	330	357	203	154	264	325	337	351	217
Other loans	81	100	350	228	192	540	250	158	181	218	297	105
Trade creditors	1.220	1.265	1.133	1.165	1.223	1.302	1.386	1.457	1.525	1.593	1.659	1.727
Other Current Liabilities	755	706	706	706	706	706	706	706	706	706	706	706
Equity + Liabilities	**7.552**	**7.552**	**7.334**	**7.326**	**7.389**	**7.569**	**7.745**	**7.974**	**8.206**	**8.440**	**8.670**	**8.907**

CASH FLOW STATEMENT	2009	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Net Profit	62	168	128	131	142	175	212	261	298	344	379	415
Depreciations	-79	-320	-292	-294	-298	-306	-314	-321	-328	-335	-341	-348
Cash flow from operations	**141**	**488**	**420**	**425**	**439**	**481**	**526**	**581**	**625**	**679**	**720**	**763**
Δ Working Capital	-153	67	-19	-15	-16	-22	-23	-20	-19	-19	-18	-19
CAPEX	356	212	225	269	319	429	430	498	510	519	523	536
Other investments	114	-48	-17	0	0	0	0	0	0	0	0	0
Cash flow from Investments	**-89**	**-327**	**-223**	**-254**	**-303**	**-407**	**-407**	**-479**	**-492**	**-500**	**-505**	**-518**
Change in Equity	77	-8	-33	-34	-32	-27	-24	-21	-21	-18	-17	-16
Change in Debt	-129	-153	-164	-137	-104	-47	-95	-82	-113	-161	-198	-229
Cash Flow from Financing	**-52**	**-161**	**-198**	**-171**	**-137**	**-75**	**-119**	**-103**	**-134**	**-178**	**-215**	**-245**

Appendixes

Appendix 1

Table 31: Portugal Macroeconomic Indicators

	2007	2008	2009	2010	2011E	2012E	2013E	2014E	2015E	CAGR 10-15E
GDP constant prices (Eur Billions)	164	164	160	162	160	159	161	162	164	0,2%
GDP growth	2,4%	0,0%	0,0%	1,4%	-1,5%	-0,5%	0,9%	1,0%	1,2%	
Inflation rate	2,4%	2,7%	-0,9%	1,4%	2,4%	1,4%	1,4%	1,4%	1,6%	
Unemployment rate	8,1%	7,7%	9,6%	11,0%	11,9%	12,4%	11,9%	11,3%	10,6%	-0,7%

Source: IMF – World Economic Outlook database, April 2011

Table 32: Spain Macroeconomic Indicators

	2007	2008	2009	2010	2011E	2012E	2013E	2014E	2015E
GDP growth	3,6%	0,9%	-3,7%	-0,1%	0,8%	1,6%	1,8%	1,9%	1,8%
Infation	2,8%	4,1%	-0,2%	2,0%	2,6%	1,5%	1,4%	1,5%	1,7%
Unemployment	8,3%	11,3%	18,0%	20,1%	19,4%	18,2%	17,1%	16,3%	15,6%

Source: IMF – World Economic Outlook database, April 2011

Table 33: Brazil Macroeconomic Indicators

	2007	2008	2009	2010	2011E	2012E	2013E	2014E	2015E
GDP growth	6,1%	5,2%	-0,6%	7,5%	4,5%	4,1%	4,1%	4,2%	4,2%
Infation	3,6%	5,7%	4,9%	5,0%	6,3%	4,8%	4,5%	4,5%	4,5%
Unemployment	9,3%	7,9%	8,1%	6,7%	6,7%	6,7%	6,7%	6,7%	6,7%

Source: IMF – World Economic Outlook database, April 2011

Table 34: Angola Macroeconomic Indicators

	2009	2010	2011E	2012E	2013E	2014E	2015E	CAGR 10-15E
GDP constant prices ($USD Billions)	1.295	1.316	1.418	1.567	1.669	1.776	1.889	7,5%
GDP growth	2,4%	1,6%	7,8%	10,5%	6,5%	6,4%	6,4%	
Inflation rate	13,7%	14,5%	14,6%	12,4%	8,9%	6,5%	6,0%	
Population (Millions)	18,5	19,1	19,6	20,2	20,8	21,4	22,1	3,0%

Source: Company data

Table 35: Brazilian Prime Yields evolution

	2007	2008	2009	2010
Higher	9,50%	9,80%	9,50%	9,50%
Average	8,70%	8,60%	8,50%	8,50%
Lower	8,50%	8,30%	8,30%	8,30%

Source: IMF – World Economic Outlook database, April 2011

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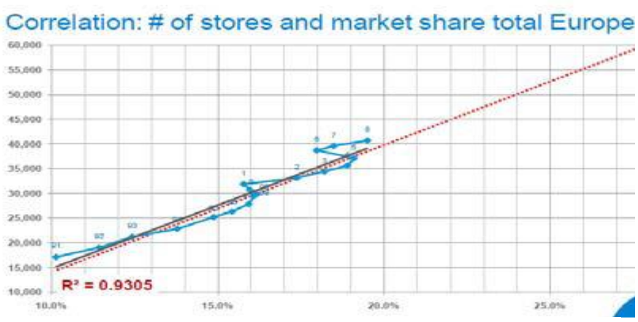
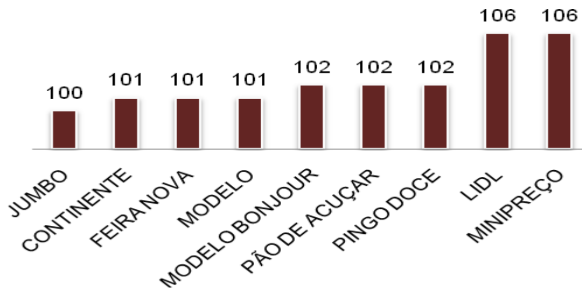
Appendix 2

Graph 33: Correlation between number of stores and growth



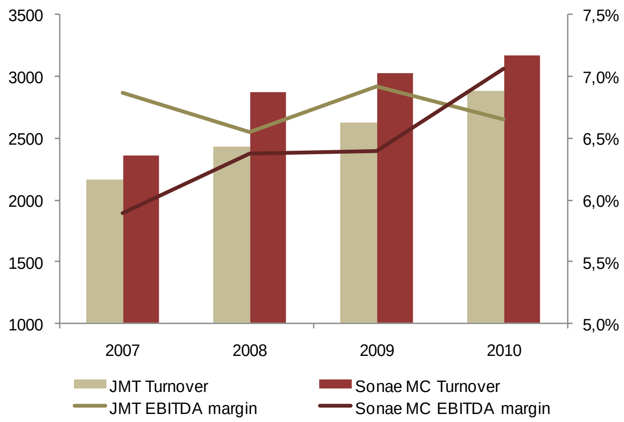
Source: Nielsen Conference, May 2010

Graph 34: Total Basket Index of main Portuguese food retailers



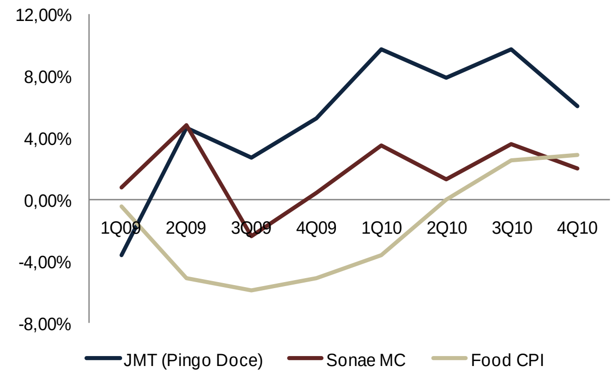
Source: DECO Proteste, September 2010

Graph 35: Sonae MC and JMT Turnover (Eur Mn) and EBITDA margin



Source: Companies data

Graph 36: Sonae MC and JMT LfL growth; Food CPI evolution



Source: Companies data and Bloomberg for Food CPI

Table 35: End of period Sonae MC stores per concept

Concept	2010	2011E	2012E	2015E	2020E
Continente	288	295	302	324	360
Modelo	228	237	246	268	289
Bom Bocado	5	5	6	7	8
Well´s	12	13	14	16	18
Book it	5	6	7	9	14
Others	6	8	9	14	21
SONAE MC	**544**	**564**	**583**	**638**	**710**

Source: Company data and Nova Equity Research Estimates

Table 36: Comparables multiples

	EV / EBITDA				CAGR	EV / EBITDAR				CAGR
	2010	2011E	2012E	2013E	10-13E	2010	2011E	2012E	2013E	10-13E
Ahold	5,7x	5,2x	5,0x	4,8x	4,6%	4,5x	4,2x	4,0x	3,8x	4,3%
Tesco	9,1x	7,7x	7,1x	6,5x	11,6%	7,6x	6,5x	5,9x	5,5x	11,0%
Carrefour	9,6x	5,4x	4,9x	4,5x	21,3%	NA	NA	NA	NA	0,0%
Colruyt	9,5x	9,2x	8,6x	8,0x	7,5%	NA	NA	NA	NA	0,0%
Morrison	6,4x	6,1x	5,7x	5,2x	8,0%	6,2x	5,9x	5,5x	5,0x	8,0%
Delb	4,9x	4,9x	4,7x	4,4x	6,9%	4,1x	4,2x	4,0x	3,8x	6,4%
Casino	7,7x	6,6x	6,1x	5,4x	14,2%	6,1x	5,3x	4,9x	4,4x	13,2%
Salnsbury	7,0x	6,6x	6,1x	5,6x	7,7%	5,2x	4,9x	4,5x	4,2x	7,2%
Average	**7,9x**	**6,4x**	**5,9x**	**5,4x**	**9,4%**	**6,0x**	**5,4x**	**5,0x**	**4,7x**	**8,9%**
Sonae MC	**5,5x**	**5,5x**	**5,6x**	**5,4x**	**0,4%**	**3,6x**	**3,5x**	**3,5x**	**3,4x**	**1,5%**

Source: Bloomberg

Appendix 3

Table 37: Spending on sports as % on clotinhg

%	2003	2004	2005	2006	2007	2008
Men	14,2	14,4	14,6	14,9	15,1	15,4
Women	11,7	11,9	12,3	12,6	12,9	13,3
Children	14,9	15,2	15,5	15,7	15,9	16,2
Total	**40,8**	**41,5**	**42,4**	**43,2**	**43,9**	**44,9**

Source: Euromonitor

Table 38: Sonae SR Peers comparison

	EV / EBITDA				CAGR	EV / EBITDAR				CAGR
	2010	2011E	2012E	20133E	2010-2013E	2010	2011E	2012E	20133E	2010-2013E
JD Sports	3,3x	3,7x	3,5x	3,3x	2,0%	2,1x	2,3x	2,1x	2,0x	2,0%
Sports Direct	6,0x	7,0x	6,7x	6,1x	13,4%	3,8x	4,6x	4,4x	4,0x	10,7%
Debenhams	4,3x	4,3x	4,2x	3,9x	3,6%	2,6x	2,4x	2,3x	2,2x	5,8%
Sports	**4,7x**	**5,0x**	**4,9x**	**4,5x**	**6,5%**	**2,9x**	**3,1x**	**3,0x**	**2,8x**	**6,6%**
Best Buy	4,2x	4,0x	4,0x	4,0x	0,5%	3,1x	3,0x	2,9x	2,9x	0,9%
Kesa	3,5x	2,7x	2,5x	2,3x	7,2%	1,8x	1,4x	1,3x	1,3x	5,1%
Dixons	4,1x	2,8x	2,6x	2,4x	3,1%	1,8x	1,2x	1,1x	1,1x	1,9%
Cons. Electronics	**4,1x**	**3,8x**	**3,7x**	**3,6x**	**1,4%**	**2,8x**	**2,6x**	**2,6x**	**2,5x**	**1,3%**
H&M	11,5x	13,0x	11,2x	9,8x	6,6%	7,8x	8,5x	7,4x	6,5x	7,4%
Inditex	10,5x	11,9x	10,7x	9,5x	6,8%	7,6x	8,6x	7,7x	6,8x	7,0%
Apparel	**11,0x**	**12,5x**	**11,0x**	**9,7x**	**6,7%**	**7,7x**	**8,6x**	**7,5x**	**6,7x**	**7,2%**
Average	**5,4x**	**5,5x**	**5,1x**	**4,8x**	**3,1%**	**3,7x**	**3,7x**	**3,5x**	**3,3x**	**3,2%**
SR Portugal	**3,6x**	**3,8x**	**4,0x**	**4,0x**	**-3,6%**	**2,0x**	**2,1x**	**2,1x**	**2,1x**	**-1,1%**

Source: Bloomberg

Appendix 4

Table 39: Prime yield evolution in each Market Sonae Sierra is present

	2007			2008			2009			2010		
	High	**Average**	**Low**	**High**	**Average**	**Low**	**High**	**Average**	**Low**	**High**	**Average**	**Low**
Portugal	7,0%	5,3%	4,9%	7,5%	5,8%	5,4%	8,3%	6,7%	6,0%	8,7%	6,8%	6,2%
Spain	6,9%	5,6%	5,0%	9,4%	6,5%	5,7%	9,1%	7,1%	6,4%	9,3%	7,0%	6,3%
Italy	6,2%	5,6%	5,5%	7,7%	6,4%	5,8%	7,7%	6,6%	6,0%	7,8%	6,7%	6,1%
Germany	5,5%	5,5%	5,5%	6,0%	5,9%	5,8%	6,3%	6,1%	6,0%	6,3%	6,1%	6,0%
Greece	0,0%	0,0%	0,0%	7,0%	7,0%	7,0%	7,0%	7,0%	7,0%	8,5%	8,5%	8,5%
Romania	6,8%	6,8%	6,8%	8,0%	8,0%	8,0%	9,0%	9,0%	9,0%	9,0%	9,0%	9,0%
Brazil	9,5%	8,7%	8,5%	9,8%	8,6%	8,3%	9,5%	8,5%	8,3%	9,5%	8,5%	8,3%
AVERAGE		**5,6%**			**6,2%**			**6,9%**			**7,1%**	

Source: Companiy data

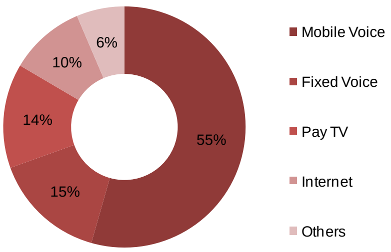
Table 40: Brazilian Shopping Centre distribution

Regions	Nr. Shoppings	% Total	GLA (´000 Sqm)
North	12	3%	295
Northeast	58	14%	1.387
Centre-West	36	9%	768
Southeast	229	56%	5.770
South	77	19%	1.404
Total	**412**	**100%**	**9.624**

Source: ABRASCE

Appendix 5

Graph 37: 2010 Portuguese Telecommunications breakdown



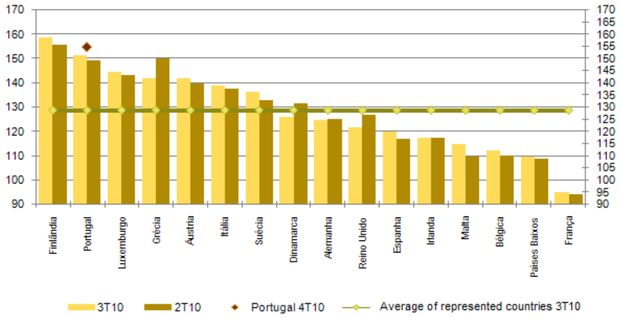
Source: SNC 2010 Annual Report

Table 41: MTR evolution for each operator

Euro	TMN/Vodafone	Optimus
Jul-08	0,08	0,096
Oct-08	0,075	0,09
Jan-09	0,07	0,084
Apr-09	0,065	0,078
Jul-09	0,065	0,072
Oct-09	0,065	0,065

Source: PT Press Release regarding MTR in July, 7th 2008.

Graph 38: European countries' penetration rates



Source: ANACOM

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Research Recommendations

Buy	Expected total return (including dividends) of more than 15% over a 12-month period.
Hold	Expected total return (including dividends) between 0% and 15% over a 12-month period.
Sell	Expected negative total return (including dividends) over a 12-month period.

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